

# Auditing Procedures Report V1.04

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Issued under Public Act 2 of 1968, as amended.

Unit Name	VAN BUREN CONSERVATION DISTRICT	County	VAN BUREN	Type	OTHER	MuniCode	
Opinion Date-Use Calendar	Aug 15, 2008	Audit Submitted-Use Calendar	Aug 18, 2008	Fiscal Year-Use Drop List	2007		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 378,002.00
General Fund Expenditure:	\$ 331,593.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 356,530.00
Governmental Activities Long-Term Debt (see instructions):	\$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	MICHAEL	Last Name	WILSON	Ten Digit License Number	1101017570				
CPA Street Address	127 W CHICAGO	City	STURGIS	State	MI	Zip Code	49091	Telephone	+1 (269) 651-3228
CPA Firm Name	NORMAN & PAULSEN PC	Unit's Street Address	1035 E MICHIGAN	City	PAW PAW	LU Zip	49079		

VAN BUREN CONSERVATION DISTRICT  
VAN BUREN COUNTY, MICHIGAN

FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

# VAN BUREN CONSERVATION DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Van Buren Conservation District  
Paw Paw, MI 49079

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Van Buren Conservation District as of and for the year ended September 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Van Buren Conservation District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Van Buren Conservation District, as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Donald L. Paulsen, CPA  
Patrick J. Monahan, CPA  
Bruce S. A. Gosling, CPA  
Michael R. Wilson, CPA  
Rick L. Strawser, CPA  
Jerrold T. Norman (1941-1982)

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Van Buren Conservation District's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2008, on our consideration of the Van Buren Conservation District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Norman J. Paulson, P.C.*

August 15, 2008

## **VAN BUREN CONSERVATION DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As the management of the Van Buren Conservation District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Van Buren Conservation District for the fiscal year ended September 30, 2007.

#### **FINANCIAL HIGHLIGHTS**

- \* The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$728,682 (net assets). Of this amount, \$356,530 (unrestricted current net assets) may be used to meet the District's ongoing obligations.
- \* The District's total net assets increased by \$29,944 during the year.
- \* At the end of the current fiscal year, unreserved fund balance for the General Fund was \$346,430 or 104 percent of total general fund expenditures.

#### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. To simplify financial reporting and improve readability, the government-wide financial statements and fund financial statements have been combined to report the statement of net assets and general fund balance on a single page and the statement of activities and general fund revenues, expenditures and changes in fund balance on a single page.

#### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the District's financial position is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

## VAN BUREN CONSERVATION DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$728,682 at the close of the most recent fiscal year.

<b>Districts Net Assets</b>		
	<u>2007</u>	<u>2006</u>
Current assets	\$ 375,728	\$ 319,188
Capital assets (net)	112,839	113,646
Other assets	<u>262,344</u>	<u>277,892</u>
Total assets	<u>750,911</u>	<u>710,726</u>
LIABILITIES	<u>22,229</u>	<u>11,988</u>
Net assets:		
Investment in capital assets	112,839	113,646
Unrestricted	<u>615,843</u>	<u>585,092</u>
Total net assets	<u>\$ 728,682</u>	<u>\$ 698,738</u>

## VAN BUREN CONSERVATION DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

The District's net assets increased by \$29,944 during the fiscal year due to additional revenue received from new grants, a reduction in salary and benefit expenses due to staff changes and a reduction in equipment and supplies purchases. Management will continue to seek ways to secure funding through grants for projects and staff.

#### District's Condensed Statement of Net Assets

Revenues:	2007	2006
State Grants	\$ 146,936	\$ 79,219
Federal Grants	135,448	19,443
Charges for Services	38,874	30,077
Interest	31,819	29,513
Donations	783	1,428
Other	<u>8,594</u>	<u>-</u>
Total Revenues	362,454	159,680
Program Expenses:		
Operations	58,596	77,185
Van Buren County		
Groundwater Stewardship	49,777	44,831
Berrien County		
Groundwater Stewardship	19,284	-
Black River Watershed	135,965	15,999
Conservation Technical		
Assistance Initiative	56,702	-
Paw Paw Watershed	-	771
Reforestation	11,379	5,667
Americorps	-	460
Depreciation	<u>807</u>	<u>404</u>
Total Expenses	<u>332,510</u>	<u>145,317</u>
Change in Net Assets	<u>\$ 29,944</u>	<u>\$ 14,363</u>

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's sole governmental fund reported an ending fund balance of \$356,530, an increase of \$46,409 in comparison with the prior year. The majority of the fund balance is unreserved and represents approximately 104 percent of total General Fund expenditure.



## **VAN BUREN CONSERVATION DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **General Fund Budgetary Highlights**

Changes in the District's original budget were as follows:

State grants were changed due to the District agreeing to oversee a grant for a neighboring county. Charges for services were reduced to more correctly reflect the charges being passed on to program participants. Sales were increased due to greater participation in the tree sale program than was originally planned.

Expenditures were added for the additional state grant the District oversaw for a neighboring county. This grant had not been planned when the original budget was adopted. Expenditures were also decreased for a grant that was completed the previous year. Expenditures were increased to reflect cost sharing expenditures associated with the groundwater grants.

Actual revenues were within \$15,172 of final budgeted revenues or 4.2 percent. This difference was mainly due to a federal grant project progressing faster than expected, interest income being higher than expected, and tree sales being higher than expected.

Actual expenditures were within \$30,389 of final budgeted expenditures or 8.4 percent. This difference was mainly due to wages and benefits being less than expected and a payment on a land contract not budgeted correctly.

**Capital assets.** The District's investment in capital assets as of September 30, 2007, amounts to \$112,839 (*net of accumulated depreciation*). There were no significant additions or deletions during the year.

#### **Economic Condition and Outlook**

The overall increase in net assets was a result of a change in personnel, and several additional state grants. There is some anxiety regarding potential budget shortfalls due to elimination of state revenue sharing at the local level, and cuts in state grants. Management will continue to encourage the wise management of natural resources by providing conservation programs, technical, and financial assistance, and conservation education.

#### **Contacting the District's Financial Management**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Amy Lockhart, Executive Director  
1035 E. Michigan Avenue  
Paw Paw, MI 49079

Phone: (269) 657-4030

VAN BUREN CONSERVATION DISTRICT

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2007

ASSETS

Current Assets

Cash and investments	\$ 312,981
Accounts receivable	6,513
Due from other governments	46,134
Prepaid expenses	548
Inventories	<u>9,552</u>

Total current assets 375,728

Fixed Assets

Land and equipment	155,550
(Less accumulated depreciation)	<u>(42,711)</u>

Total fixed assets 112,839

Other Assets

Land contract receivable	<u>262,344</u>
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Total assets 750,911

LIABILITIES

Current Liabilities

Accounts payable	5,268
Accrued wages	2,587
Payroll and sales tax liabilities	3,635
Deferred revenue	<u>7,708</u>

Total current liabilities 19,198

Non-Current Liabilities

Compensated absences	<u>3,031</u>
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Total liabilities 22,229

NET ASSETS

Invested in capital assets	112,839
Unrestricted	<u>615,843</u>

Total Net Assets \$ 728,682

The Notes to the Financial Statements are an integral part of these statements

VAN BUREN CONSERVATION DISTRICT

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Operations Van Buren County	\$ 58,596	\$ 15,207	\$ 631	\$ (42,758)
Groundwater Stewardship Berrien County	49,777	3,630	53,564	7,417
Groundwater Stewardship Black River Watershed	19,284	-	27,728	8,444
Conservation Technical Assistance Initiative	135,965	249	135,448	(268)
Reforestation	56,702	-	56,044	(658)
Depreciation	11,379	19,788	152	8,561
	<u>807</u>	<u>-</u>	<u>-</u>	<u>(807)</u>
Total Government Activities	<u>\$ 332,510</u>	<u>\$ 38,874</u>	<u>\$ 273,567</u>	(20,069)
General revenues:				
State Grants				9,600
Reimbursements				8,594
Interest Income				<u>31,819</u>
Total General Revenues				<u>50,013</u>
CHANGE IN NET ASSETS				29,944
NET ASSETS - BEGINNING - as restated				<u>698,738</u>
NET ASSETS - ENDING				<u>\$ 728,682</u>

The Notes to the Financial Statements are an integral part of these statements

VAN BUREN CONSERVATION DISTRICT

GOVERNMENTAL FUND BALANCE SHEET  
SEPTEMBER 30, 2007

ASSETS

Cash and equivalents	\$ 312,981
Accounts receivable	6,513
Due from other governments	46,134
Prepaid expenditures	548
Inventories	9,552
Land contract receivable	<u>262,344</u>
Total assets	<u>\$ 638,072</u>

LIABILITIES

Accounts payable	\$ 5,268
Accrued wages	2,587
Payroll and sales tax liabilities	3,635
Deferred revenue	<u>270,052</u>
Total liabilities	281,542

FUND BALANCE

Reserved:	
Prepaid expenditures	548
Inventories	9,552
Unreserved	<u>346,430</u>
Total fund balance	<u>356,530</u>
Total liabilities and fund balance	<u>\$ 638,072</u>

The Notes to the Financial Statements are an integral part of these statements

VAN BUREN CONSERVATION DISTRICT

RECONCILIATION OF THE BALANCE SHEET OF  
GOVERNMENT FUNDS TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2007

Total Government Fund Balances \$ 356,530

Total net assets reported for governmental activities  
in the statement of net assets are different from the  
amount reported as total governmental funds fund  
balance because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in  
the fund statements.

Capital Assets	155,550
Accumulated Depreciation	<u>(42,711)</u>
Net Capital Assets	112,839

Land contract receivables are not currently available to  
pay for current activities, and are reported as deferred  
revenue in the fund statements.

Deferred revenue on land contract receivable	262,344
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Compensating absences (vacation pay) are recorded in  
the government-wide statements if they are 1) attributable  
to services already rendered, and 2) are not contingent  
on a specific event (such as an illness). However,  
these amounts are not recorded in the governmental funds  
until paid.

Accrued Vacation/Sick Pay	<u>(3,031)</u>
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Total Net Assets - Governmental Activities	<u>\$ 728,682</u>
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The Notes to the Financial Statements are an integral part of these  
statements

VAN BUREN CONSERVATION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

REVENUES

State Grants	\$ 146,936
Federal Grants	135,448
Charges for Services	10,563
Sales	28,311
Interest Income	31,819
Land Contract Receipts	15,548
Reimbursements	8,594
Donations	<u>783</u>

Total Revenues 378,002

EXPENDITURES

Operations	58,486
Van Buren County Groundwater Stewardship	49,777
Berrien County Groundwater Stewardship	19,284
Black River Watershed	135,965
Conservation Technical Assistance Initiative	56,702
Reforestation	<u>11,379</u>

Total Expenditures 331,593

EXCESS OF REVENUES OVER EXPENDITURES 46,409

FUND BALANCE - BEGINNING - as restated 310,121

FUND BALANCE - ENDING \$ 356,530

The Notes to the Financial Statements are an integral part of these statements

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**VAN BUREN CONSERVATION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 1 - DESCRIPTION OF CONSERVATION DISTRICT OPERATIONS**

The Van Buren Conservation District organized in 1944 under PA 297 of 1937, as amended, for the purpose of providing guidance and involvement in the promotion of soil conservation in Van Buren County, Michigan. The District is a local unit of State Government governed by PA 451 of 1994, as amended, which operates under the direction of a board of directors. The Board oversees the development and implementation of soil and water conservation activity in Van Buren County, Michigan.

The District was formed to carry out the policy of legislature. The policy of the legislature is to provide for the conservation of the natural resources of the state, including soil, water, farmland, and other natural resources, and to provide for the control and prevention of soil erosion, and thereby to conserve the natural resources of this state, control floods, prevent impairment of dams and reservoirs, assist in maintaining the navigability of rivers and harbors, preserve wildlife, protect the tax base, protect public lands, and protect and promote health, safety, and general welfare of the people of this state.

**The Reporting Entity**

In accordance with generally accepted accounting principals and Governmental Accounting Standards Board (GASB) Statement No. 14 "*The Financial Reporting Entity*" certain other governmental organizations are not considered to be part of the District entity for financial reporting purposes. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if the potential component unit data was not included. The District has determined that no other outside organization meets the above criteria and, therefore, no other entity has been included as a component unit in the District's financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Van Buren Conservation District (the District) conform to accounting principals generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by the Van Buren Conservation District:



VAN BUREN CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In June, 1999, the GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- a. A Management's Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations.
- b. Financial statements prepared using full accrual accounting for all of the District's activities.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements).

- a. **Reporting Entity** - The Van Buren Conservation District is governed by an elected five member board.
- b. **Government-Wide and Fund Financial Statements** - The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

- c. **Measurement Focus, Basis of Accounting and Financial Statement Presentation** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**VAN BUREN CONSERVATION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Due from Other Governments - The Van Buren Conservation District receives contribution revenues based upon a reimbursement plan. Thus, expenditures are incurred then remitted to the State for reimbursement. At September 30, 2007, \$46,134 was yet to be received.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**d. Assets, Liabilities, and Net Assets or Equity -**

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Inventories - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

VAN BUREN CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets - Capital assets, which include land and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Equipment is being depreciated using the straight-line method over the following useful life: 7 years

Use of Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Compensated Absences (Vacation and Sick Leave - It is the District's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick pay is accrued when incurred in the government-wide financial statements.

NOTE 3 - DEPOSITS AND INVESTMENTS

In accordance with Michigan Compiled Laws, the District is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

VAN BUREN CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50 percent of any fund may be invested in commercial paper at any time.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan compiled laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State Surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

At September 30, 2007, the cash and deposits of the District consisted of the following:

Checking	\$ 10,044
Cash on Hand	329
Savings	64,955
Certificates of Deposit	85,000
Brokerage Account -	
Certificates of Deposit	108,991
Brokerage Account - Cash	<u>43,662</u>
Total	<u>\$ 312,981</u>

**Deposits** - At September 30, 2007, the District had deposits with a carrying amount of \$312,652 and a bank balance of \$321,847, of that amount \$278,185 was covered by federal depository insurance, and \$43,662 was uninsured and uncollateralized.

**VAN BUREN CONSERVATION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 3 - DEPOSITS AND INVESTMENTS - Continued**

The District evaluates the financial institution it deposits funds with and assesses the level of risk with this institution; only institutions with an acceptable estimated risk level are used as depositories. The District deposits are in accordance with statutory authority, except for the brokerage account which does not meet these requirements.

**NOTE 4 - ACCOUNTS RECEIVABLE**

At September 30, 2007, accounts receivable consisted of the following:

	<u>Accounts Receivable</u>	<u>Due from Other Governments</u>	<u>Total</u>
Due from Customers	\$ 6,513	\$ -	\$ 6,513
Due from State	<u>-</u>	<u>46,134</u>	<u>46,134</u>
Total	<u>\$ 6,513</u>	<u>\$ 46,134</u>	<u>\$ 52,647</u>

**NOTE 5 - FIXED ASSETS**

The fixed asset value is shown in these financial reports as required by the Michigan Department of Agriculture, net of related accumulated depreciation. A summary of the changes in fixed assets follows:

	<u>Balance 9/30/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/07</u>
Assets not being depreciated:				
Land	\$ 108,400	\$ -	\$ -	\$ 108,400
Capital assets being depreciated:				
Equipment	47,150	-	-	47,150
Accumulated Depreciation:				
Equipment	<u>41,904</u>	<u>807</u>	<u>-</u>	<u>42,711</u>
Net capital assets being depreciated	<u>5,246</u>			<u>4,439</u>
Net capital assets	<u>\$ 113,646</u>			<u>\$ 112,839</u>

Depreciation expense was not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical.

VAN BUREN CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007

NOTE 6 - LAND CONTRACT RECEIVABLE

In February 2000, the District entered into a land contract for the sale of land, buildings, and equipment. The District will receive annual payments of \$35,000 including interest at 7% through 2014, and a final lump sum payment of \$136,811 in 2015. The principal portion of payments has been recorded as a receivable in the statement of net assets.

NOTE 7 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue include unearned grant payments received prior to meeting all eligibility requirements in the amount of \$7,708, and a land contract receivable of \$262,344 not expected to be received in the current year.

NOTE 8 - LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the District for the year ended September 30, 2007:

	Balance 9/30/06	Additions	Deletions	Balance 9/30/07
Long-term debt:				
Accumulated				
Compensation	\$ 2,921	\$ 3,031	\$ 2,921	\$ 3,031

The liability for accumulated compensation represents amounts owed to employees for accumulated sick pay, vacation pay, and compensatory time as of September 30, 2007. This liability is shown on the Government-Wide Statement of Net Assets.

Using the criteria established in Governmental Accounting Standards Board Statement 16, a liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the employer and employee should be accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the employer should be accounted for in the period those services are rendered or those events take place.

**VAN BUREN CONSERVATION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 9 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets and omissions; and natural disasters for which the District carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

**NOTE 10 - DONATED SERVICES**

The District's office is located in a building owned by the Michigan Department of Agriculture. The District is given a furnished office including utilities at no charge. The rental value of these facilities has not been determined, and therefore is not included in the revenues and expenditures in these financial statements.

**NOTE 11 - CONTINGENT LIABILITIES**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

**NOTE 12 - RELATED PARTY TRANSACTIONS**

The governing body of the Van Buren County Soil Conservation District Foundation which was formed under Section 501(C)3 of the Internal Revenue Code, is appointed by the District Board. The Board of the Foundation consists of three District board Members and four outside Board Members. The District Board Members do not represent a voting majority on the Foundation Board. The Foundation was totally inactive during the year ended September 30, 2007. There were no related party transactions between the District and the Foundation.

The District Board Members are paid \$35 for every board meeting they attend. District Board Members were paid a total of \$1,295 during the year ended September 30, 2007 for meeting attendance.

A Board Member performed some maintenance at one of the properties owned by the District in preparation of tree planting. This Board Member was paid \$150 for his services.

VAN BUREN CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007

NOTE 13 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

**Budgetary Information** - Annual budgets are being adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end. The District follows these procedures in establishing the budgetary data reflected in the financial statements.

The District begins it's budgeting process in July of each year. At the July board meeting the administrator/executive director should provide a report to the board containing information required by the MDA Accounting Manual. The budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain public comments.

Prior to September 30, the budget is legally adopted.

The budget shown in these financial statements are as last amended through September 30, 2007.

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the required supplemental data section of the financial statements, the District's actual expenditures and budgeted expenditures have been shown on a functional basis. The approved budget of the District was adopted on a line item level. The District does not utilize encumbrance accounting.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - based on the functional level as reported, the District incurred expenditures that exceeded line item budgeted amounts as follows:

	<u>Budget</u> <u>Amount</u>	<u>Actual</u> <u>Expenditures</u>	<u>Excess Over</u> <u>Budget</u>
Printing and Publishing	\$ 1,000	\$ 4,712	\$ 3,712
Postage	1,316	2,936	1,620
Property Maintenance	550	1,382	832

In total, the District's expenditures were under budget by \$30,389.



VAN BUREN CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007

**NOTE 14 - RESTATED NET ASSETS**

Net assets as of September 30, 2006 have been restated to correct the following:

Net assets at September 30, 2006 as originally reported	\$ 704,600
Cash was understated	174
Accounts receivable was overstated	(1,234)
Prepaid expenses were understated	593
Accounts payable was understated	(1,890)
Accrued payroll and benefits were understated	(584)
Accrued compensated absences were understated	<u>(2,921)</u>
Net assets at September 30, 2006 as restated	<u>\$ 698,738</u>

**NOTE 15 - RESTATED FUND BALANCE**

Fund balance at September 30, 2006 has been corrected for the following errors:

Fund balance at September 30, 2006 as originally reported	\$ 313,062
Cash was understated	174
Accounts receivable was overstated	(1,234)
Prepaid expenditures were understated	593
Accounts payable was understated	(1,890)
Accrued payroll and benefits were understated	<u>(584)</u>
Fund balance at September 30, 2006 as restated	<u>\$ 310,121</u>

## REQUIRED SUPPLEMENTARY INFORMATION

VAN BUREN CONSERVATION DISTRICT

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State Grants	\$ 127,200	\$ 163,700	\$ 146,936	\$ (16,764)
Federal Grants	131,272	128,272	135,448	7,176
Charges for Services	14,897	9,200	10,563	1,363
Sales	15,000	20,697	28,311	7,614
Interest Income	25,213	25,213	31,819	6,606
Land Contract Receipts	15,548	15,548	15,548	-
Reimbursements	200	200	8,594	8,394
Donations	<u>-</u>	<u>-</u>	<u>783</u>	<u>783</u>
Total Revenues	329,330	362,830	378,002	15,172
EXPENDITURES				
Operations	91,943	91,195	58,486	32,709
Van Buren County				
Groundwater Stewardship	44,065	51,965	49,777	2,188
Berrien County				
Groundwater Stewardship	-	28,500	19,284	9,216
Black River Watershed	128,272	128,272	135,965	(7,693)
Conservation Technical				
Assistance Initiative	55,000	55,000	56,702	(1,702)
Reforestation	7,050	7,050	11,379	(4,329)
Paw Paw River Watershed	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>329,330</u>	<u>361,982</u>	<u>331,593</u>	<u>30,389</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	848	46,409	45,561
FUND BALANCE - BEGINNING - as restated	<u>310,121</u>	<u>310,121</u>	<u>310,121</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 310,121</u>	<u>\$ 310,969</u>	<u>\$ 356,530</u>	<u>\$ 46,561</u>

## OTHER SUPPLEMENTARY INFORMATION

**VAN BUREN CONSERVATION DISTRICT**

**SUPPLEMENTAL SCHEDULE OF REVENUES  
AND EXPENDITURES BY PROGRAM  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

		Van Buren County Groundwater <u>Operating Stewardship</u>	Berrien County Groundwater <u>Stewardship</u>	Black River <u>Watershed</u>
REVENUES				
State Grants	\$ 9,600	\$ 53,564	\$ 27,728	\$ -
Federal Grants	-	-	-	135,448
Charges for Services	6,684	3,630	-	249
Sales	8,523	-	-	-
Interest Income	31,819	-	-	-
Land Contract Receipts	15,548	-	-	448
Reimbursements	8,133	-	-	-
Donations	631	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	80,938	57,194	27,728	136,145
EXPENDITURES				
Salaries and Wages	27,407	32,866	15,693	29,960
Payroll Taxes	2,098	2,532	1,206	2,333
Fringe Benefits	2,181	5,837	200	5,091
Items for Resale	5,668	-	-	-
Office Supplies	1,206	206	410	148
Legal and Accounting	1,566	-	-	-
Contracted Services	64	-	-	82,921
Employee Training	645	453	140	475
Travel and Mileage	1,964	2,763	327	1,762
Bank Service Charges	595	-	-	-
Advertising and Promotion	1,751	35	-	1,721
Cost Share Expenses	1,077	3,564	1,228	-
Indirect Expense	-	-	-	5,834
Printing and Publishing	1,394	-	-	2,648
Postage	2,470	-	5	104
Miscellaneous	105	-	-	-
Repairs and Maintenance	1,854	74	-	-
Education and Demonstration	1,739	936	-	2,693
Dues and Fees	1,255	203	75	-
Meeting Expense	786	8	-	-
Property Maintenance	1,382	-	-	-
Insurance	954	-	-	-
Telephone	325	300	-	275
Total Expenditures	58,486	49,777	19,284	135,965
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 22,452	\$ 7,417	\$ 8,444	\$ 180

Conservation  
Technical  
Assistance  
Initiative

<u>Initiative</u>	<u>Reforestation</u>	<u>Total</u>
\$ 56,044	\$ -	\$ 146,936
-	-	135,448
-	-	10,563
-	19,788	28,311
-	-	31,819
-	-	15,548
-	13	8,594
-	152	783
-	-	-
56,044	19,953	378,002

43,562	-	149,488
3,683	-	11,852
5,295	-	18,604
-	9,969	15,637
735	203	2,908
-	-	1,566
-	-	82,985
1,192	-	2,905
274	60	7,150
-	13	608
12	107	3,626
-	-	5,869
1,479	-	7,313
-	670	4,712
-	357	2,936
97	-	202
73	-	2,001
-	-	5,368
75	-	1,608
-	-	794
-	-	1,382
-	-	954
225	-	1,125
56,702	11,379	331,593

\$ (658) \$ 8,574 \$ 46,409



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
Van Buren Conservation District  
Paw Paw, MI 49079

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Van Buren Conservation District (the "District"), as of and for the year ended September 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting - In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

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Jerrel T. Norman (1941-1982)

## 1. Lack of Adequate Internal Controls

Management is responsible for establishing and maintaining internal controls for the District.

In many small governmental units, proper segregation of duties within the accounting department is a challenge for management. The District currently does not have effective segregation of duties within the accounting department.

This condition is caused by limited personnel involved in the accounting functions.

The District is aware of this limitation, and is in the process of evaluating and implementing new controls to correct or mitigate this situation in the future.

## 2. Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the governments's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

This condition is caused by the District's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the District to perform this task internally.

As a result of this condition, the District lacks internal control over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The District has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the District to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.



### 3. Numerous Journal Entries Proposed by Auditors

Numerous journal entries to properly account for transactions that occurred during the year were proposed by the auditors. These included several of the prior year's audit entries which had not been posted to the general ledger or were posted incorrectly. These misstatements were not detected by the District's internal control over financial reporting.

We recommend that the District take steps to ensure that auditor journal entries are not necessary at the time future audit analysis is performed.

### 4. Timely Bank Reconciliations

We noted that bank reconciliations were not performed and reviewed in a timely manner. At the time the audit was performed all bank reconciliations had been prepared, but it was obvious that they had been completed many months after year end. Timely monthly bank reconciliations are an important internal control process.

We recommend that timely monthly bank reconciliations be prepared and agreed to the general ledger control accounts.

### 5. Petty Cash

The District has a petty cash fund to pay for small insignificant items. We noted that this petty cash fund had not been reconciled at year end. In order to replenish the fund, receipts that had been received in cash were put into the cash box. Michigan Department of Agriculture has a strict policy that all receipts be deposited into bank accounts intact. In order to maintain a cash box a check should be written to petty cash and that money be put in to maintain the cash. When the cash is reimbursed, all of the pay outs which are to be recorded by receipt should be entered as expenditures. The total expenditures would be the amount of the reimbursement, and this should bring the box back to the maximum amount authorized. This box should be reconciled whenever cash is needed, and always at year end.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider all of the significant deficiencies described above to be material weaknesses.

Compliance and Other Matters - As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. These instances are reported as follows:

There are certain items that are required by the Department of Labor be maintained in all personnel files. These items include W-4's for withholding purposes and form I-9 for proof of citizenship. Fines can be imposed if these forms are not in the files. We noted that none of the files that we checked contained the required I-9 form.

The District has set up a benefit package to let their employees' choose a cafeteria plan of benefits as long as they do not exceed \$3,000 per year. The employees can choose to have this \$3,000 in cash if they so choose. The District does not have a formal cafeteria plan in place at this time. Without a formal plan, if cash is an option for a benefit, all cafeteria plan benefits are considered taxable income to the employees, and must be included in the annual W-2's of all employees subject to all payroll taxes. We recommend that you either drop the cash option from the benefits offered employees or have a formal cafeteria plan set up to allow for this option.

Michigan Department of Agriculture has a policy that states that all investments of Conservation Districts must be fully insured. The District has investments in a brokerage account which are not FDIC insured. The brokerage account is not allowed under state law. The District should move the investments as soon as possible to be in compliance with MDA's policy and state law.

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. Note 13 in the financial statements disclosed that the District was in violation of the State budget act by incurring actual expenditures in excess of appropriation. We recommend that the District amend the budget on a timely basis to avoid budgetary violations.

The District is required to file an audited financial statement with the Michigan Department of Treasury and the Michigan Department of Agriculture within six months of the District's fiscal year end on an every other year cycle. An audit report for the fiscal year ended September 30, 2007 was due by March 31, 2008. The District did not comply with the filing requirement. We recommend that the District meet the filing deadline in the future.

This communication is intended solely for the information and use of management, the board of directors, others within the organization, and federal and state regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Norman E. Paulsen, P.C.*

August 15, 2008